

PART B

STATEMENT OF ADDITIONAL INFORMATION

Acquisition of the Assets of

GOVERNMENT ASSETS PORTFOLIO

a series of

Northern Institutional Funds

50 South LaSalle Street

Chicago, IL 60603

1-800-637-1380

By and in Exchange for Shares of

U.S. GOVERNMENT PORTFOLIO

a series of

Northern Institutional Funds

50 South LaSalle Street

Chicago, IL 60603

1-800-637-1380

This Statement of Additional Information, relating specifically to the reorganization (the “Reorganization”) of the Government Assets Portfolio (the “Acquired Portfolio”) into the U.S. Government Portfolio (the “Acquiring Portfolio” and together with the Acquired Portfolio, the “Portfolios”) consists of this document and the following described documents, each of which is incorporated by reference herein:

- The Statement of Additional Information of the Trust with respect to the Northern Institutional Funds – Money Market Portfolios, including the Portfolios, dated April 1, 2017, as supplemented to date; and
- The audited financial statements and related Reports of Independent Registered Public Accounting Firm for the Portfolios included in Northern Institutional Funds’ Annual Reports for the fiscal year ended November 30, 2016.
- The unaudited financial statements contained in the Trust’s Semi-Annual Report for the fiscal period ended May 31, 2017.

This Statement of Additional Information, which is not a prospectus, should be read in conjunction with the Combined Prospectus/Information Statement dated October 22, 2017. A copy of the Combined Prospectus/Information Statement may be obtained without charge by contacting Northern Institutional Funds (the “Trust”) at P.O. Box 75986, Chicago, IL 60675-5986 or by calling 1-800-637-1380. You may also request a copy by e-mail request to: northern-funds@ntrs.com.

The date of this Statement of Additional Information is October 22, 2017.

STATEMENT OF ADDITIONAL INFORMATION

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GENERAL INFORMATION

The Board of Trustees (“Board”) of Northern Institutional Funds (the “Trust”) reviewed and approved a Plan of Reorganization (the “Plan”) that provides for the Reorganization of the Acquired Portfolio with and into the Acquiring Portfolio. The Board determined that the Reorganization is in the best interests of each Portfolio and that the interests of shareholders of the respective Portfolios will not be diluted as a result of the Reorganization.

Under the Plan of Reorganization, the Acquired Portfolio will transfer all of its assets in exchange for shares of the Acquiring Portfolio and the assumption by the Acquiring Portfolio of the Acquired Portfolio’s liabilities. The Acquired Portfolio will then distribute the shares of the Shares Class (“Shares”) of the Acquiring Portfolio to shareholders of the Acquired Portfolio in complete liquidation of the Acquired Portfolio. Immediately after the reorganization, former shareholders of the Acquired Portfolio will hold Shares of the Acquiring Portfolio having an aggregate net asset value equal to the aggregate net asset value of the shares of the Acquired Portfolio that the shareholder held immediately prior to the Reorganization. The Portfolios are government money market funds that currently buy and sell their shares at \$1.00 per share by valuing their portfolio securities at amortized cost. Accordingly, it is expected that the Shares of the Acquiring Portfolio that you receive will be valued at \$1.00 per share. The Portfolios’ valuation policies are identical, so as a result you would receive a number of Shares of the Acquiring Portfolio equal to the number of shares you own of the Acquired Portfolio before the Reorganization.

ADDITIONAL INFORMATION ABOUT THE ACQUIRED PORTFOLIO AND THE ACQUIRING PORTFOLIO

This Statement of Additional Information incorporates by reference the following documents, which contain additional information about the Acquired Portfolio and the Acquiring Portfolio:

- The Statement of Additional Information dated April 1, 2017, of the Northern Institutional Funds with respect to the Portfolios – as filed with the Securities and Exchange Commission (“SEC”) on March 29, 2017 and supplemented on April 4, 2017 (Registration Nos. 2-80543 and 811-03605, EDGAR accession number 0001193125-17-109638).

FINANCIAL STATEMENTS

Historical financial information regarding the Acquired Portfolio and the Acquiring Portfolio is included in the following documents, which are incorporated by reference herein:

- The audited financial statements and financial highlights and related Reports of Independent Registered Public Accounting Firm for the Portfolios included in Northern Institutional Funds’ Annual Reports for the fiscal year ended November 30, 2016, as filed with the SEC on February 1, 2017 (Nos. 2-80543 and 811-03605, EDGAR accession number 0001193125-17-027097). No other parts of the Northern Institutional Funds’ Annual Reports are incorporated herein by reference.
- The unaudited financial statements contained in the Northern Institutional Funds’ Semi-Annual Reports for the fiscal period ended May 31, 2017, as filed with the SEC on July 28, 2017 (Nos. 2-80543 and 811-03605, EDGAR accession number 0001193125-17-240490). No other parts of the Northern Institutional Funds’ Semi-Annual Reports are incorporated herein by reference.

LEGAL MATTERS

Certain legal matters in connection with the issuance of the Acquiring Portfolio’s shares as part of the Reorganization will be passed upon by Drinker Biddle & Reath LLP, counsel to the Trust.

EXPERTS

The audited financial statements of the Acquired Portfolio and the Acquiring Portfolio, incorporated by reference in the Statement of Additional Information, have been audited by Ernst & Young LLP, the Trust's independent registered public accounting firm for the period ended November 30, 2016, to the extent indicated in its reports thereon, which are included in the Annual Reports to Shareholders of the Acquired Portfolio and the Acquiring Portfolio for the fiscal year ended November 30, 2016.

PRO FORMA NARRATIVE FOR THE PERIOD ENDED MAY 31, 2017

Pro Forma Financial Information

Government Assets Portfolio into U.S. Government Portfolio

Pro Forma Financial Information

Government Assets Portfolio (the "Acquired Portfolio") into U.S. Government Portfolio (the "Acquiring Portfolio")

The unaudited estimated pro forma financial information set forth below is for informational purposes only and does not purport to be indicative of the financial condition that actually would have resulted if the Reorganization had been consummated. These *pro forma* numbers have been estimated in good faith based on information regarding the Acquired Portfolio and the Acquiring Portfolio, each as identified below, for the twelve-month period ended May 31, 2017. Actual results could differ from those estimates. The unaudited estimated pro forma financial information should be read in conjunction with the historical financial statements and notes thereto of the Acquired Portfolio and the Acquiring Portfolio, which are available in their respective annual and semi-annual shareholder reports.

Narrative Description of the Pro Forma Effects of the Reorganization

Note 1 — Reorganization

The unaudited pro forma information has been prepared to give effect to the proposed reorganization of the Acquired Portfolio into the Acquiring Portfolio pursuant to a Plan of Reorganization (the "Plan") as of the beginning of the period (June 1, 2016) in the table below.

<u>Acquired Portfolio</u>	<u>Acquiring Portfolio</u>	<u>12-Month Period Ended</u>
Government Assets Portfolio	U.S. Government Portfolio	May 31, 2017

Basis of Pro Forma

The Reorganization will be accounted for as a tax-free reorganization of investment companies; therefore, no gain or loss will be recognized by the Acquiring Portfolio or its shareholders as a result of the reorganization. This tax treatment, however, does not extend to transactions that occur prior to, or after the reorganization. The Acquired Portfolio and the Acquiring Portfolio are both series of a registered open-end management investment company that issues its shares in separate series. The Reorganization would be accomplished by the acquisition of all of the assets and the assumption of all of the liabilities of the Acquired Portfolio by the Acquiring Portfolio in exchange for shares of the Acquiring Portfolio and the distribution of such shares to Acquired Portfolio shareholders in complete liquidation of the Acquired Portfolio. The table below shows the class and shares that Acquired Portfolio shareholders would have received if the Reorganization were to have taken place for the period ended May 31, 2017 and based on the Acquiring Portfolio's net asset value as of May 31, 2017.

<u>Acquired Portfolio Share Class</u>	<u>Government Assets Portfolio (Acquired Portfolio) Shares Exchanged (in 000's)</u>	<u>U.S. Government Portfolio (Acquiring Portfolio) Shares Received (in 000's)</u>	<u>Acquiring Portfolio Share Class</u>
Shares	7,364,571	7,364,571	Shares

Under generally accepted accounting principles in the United States of America, the historical cost of investment securities will be carried forward to the surviving entity, the Acquiring Portfolio, and the results of operations of the Acquiring Portfolio for pre-Reorganization periods will not be restated.

Note 2 — Net Assets

The table below shows the individual net assets of the Acquired Portfolio and the Acquiring Portfolio from the unaudited semi-annual report as of May 31, 2017 and Pro Forma Combined net assets, assuming the Reorganization had been completed, as of May 31, 2017.

<u>Fund</u>	<u>Net assets (in 000's)</u>
Government Assets Portfolio (Acquired Portfolio)	\$ 7,364,469
U.S. Government Portfolio (Acquiring Portfolio)	\$ 5,936,136
U.S. Government Portfolio (Pro Forma Combined)	\$13,300,605

Note 3 — Pro Forma Adjustments

The table below reflects adjustments to expenses needed to reflect the Pro Forma Portfolio's net assets as if the Reorganization had taken place on June 1, 2016 as disclosed in Note 1. The pro forma information has been derived from the books and records used in calculating daily net asset values of the Acquired Portfolio and Acquiring Portfolio and has been prepared in accordance with generally accepted accounting principles in the United States of America, which requires management to make estimates and assumptions that affect this information. Actual results could differ from those estimates.

<u>Expense Category</u>	<u>Increase (decrease) in expense (in 000's)</u>
Management Fees	\$ 0
Transfer Agent Fees	0
Custody Fees ⁽¹⁾	(44)
Professional Fees ⁽¹⁾	(137)
Trustee Fees ⁽¹⁾	(34)
Other Fees ⁽¹⁾	(353)
Fee waiver and/or expense reimbursements ⁽²⁾	(476)

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- (1) Fees were reduced to eliminate the effects of duplicative fees and to account for economies of scale.
 - (2) Northern Trust Investments, Inc. (the "Investment Adviser") has contractually agreed to reimburse a portion of the operating expenses of each Portfolio (other than certain excepted expenses, i.e., acquired fund fees and expenses, service fees, the compensation paid to each Independent Trustee of the Trust, expenses of third party consultants engaged by the Board of Trustees, membership dues paid to the Investment Company Institute and Mutual Fund Directors Forum, expenses in connection with the negotiation and renewal of the revolving credit facility, extraordinary expenses and interest) to the extent the "Total Annual Fund Operating Expenses After Expense Reimbursement" exceed 0.25% for the Portfolio ("Expense Cap"). Effective July 1, 2016, the Acquiring Portfolio's contractual Expense Cap was reduced from 0.35% to 0.25% and effective October 1, 2016, the Acquired Portfolio's contractual Expense Cap was reduced from 0.35% to 0.25%. The amounts presented in the table above were calculated based upon the Acquiring Portfolio's expenses being capped (other than the excepted expenses above) at 0.25% for the full fiscal year ended November 30, 2016.

No significant accounting policies will change as a result of the Reorganization, specifically policies regarding security valuation or compliance with Subchapter M of the Internal Revenue Code.

Note 4 — Reorganization Costs

The cost of the Reorganization is expected to be approximately \$88,500 and Northern Trust Investments, Inc. will bear 100% of these costs whether or not the Reorganization is consummated. These costs represent the non-recurring expense of the Acquired Portfolio carrying out its obligations under the Plan and consist of professional services fees, printing costs and mailing charges related to the proposed Reorganization.

Note 5 — Repositioning Costs

Based on current holdings, NTI does not expect to sell a significant portion of the Acquired Portfolio's portfolio securities prior to the reorganization. Total transaction costs, capital gains and losses realized, distributions to shareholders are not measurable in advance.

Note 6 — Accounting Survivor

The Acquiring Portfolio will be the accounting survivor. The Acquiring Portfolio has the same investment adviser, an identical investment objective, identical investment strategy and identical fundamental investment restrictions as the Acquired Portfolio prior to the Reorganization.

Note 7 — Capital Loss Carryforward

At November 30, 2016, the Portfolios' most recent fiscal year end, there were no unused capital loss carryforwards in the Portfolios.

Other Matters

CAPITALIZATION

The following table shows the unaudited capitalization of the Acquired Portfolio and the Acquiring Portfolio as of May 31, 2017, and the pro forma combined capitalization of the Acquired Portfolio and Acquiring Portfolio as if the Reorganization had occurred on that date. The capitalization of the Acquired Portfolio and the Acquiring Portfolio is likely to be different at the closing of the Reorganization as a result of daily share purchase and redemption activity and the effects of other ongoing operations.

	Government Assets Portfolio — Shares*	U.S. Government Portfolio — Shares*	Pro Forma Combined Portfolio (U.S. Government Portfolio) — Shares**
Net Assets (000's)	\$7,364,469	\$5,935,469	\$13,299,938
Net Asset Value per share	\$ 1.00	\$ 1.00	\$ 1.00
Shares outstanding (000's)***	7,364,571	5,935,475	13,300,046

	Government Assets Portfolio — Service Shares*	U.S. Government Portfolio — Service Shares*	Pro Forma Combined Portfolio (U.S. Government Portfolio) — Service Shares**
Net Assets (000's)	N/A	\$ 667	\$ 667
Net Asset Value per share	N/A	\$1.00	\$1.00
Shares outstanding (000's)***	N/A	667	667

* Information shown is from the Portfolios' unaudited semi-annual report as of May 31, 2017.

** The Northern Institutional Funds U.S. Government Portfolio will be the accounting survivor for financial statement purposes.

*** The difference between Net Assets and Shares Outstanding is a result of book and tax timing differences and miscellaneous amounts impacting realized gain (loss) and paid-in capital since the inception of the Portfolios.